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CORPORATION FILE

The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES

ANNUAL REPORT

For the fiscal year ended December 31, 1926

March 1927 THE BORDEN COMPANY *New York*

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The Borden Company

ESTABLISHED 1857

AND ALL SUBSIDIARY COMPANIES



ANNUAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1926



March 1927
THE BORDEN COMPANY
New York

THE BORDEN COMPANY

DIRECTORS

UNION N. BETHELL

ALBERT G. MILBANK

HENRY C. SHERMAN

LEWIS M. BORDEN

ARTHUR W. MILBURN

WALLACE D. STRACK

ALBERT T. JOHNSTON

GEORGE L. NICHOLS

ROBERT STRUTHERS

OFFICERS

ALBERT G. MILBANK, *Chairman Board of Directors*

ARTHUR W. MILBURN, *President*

ALBERT T. JOHNSTON, *Vice-President*

CHARLES C. LOBECK, *Vice-President*

MERRITT J. NORTON, *Vice-President*

WALLACE D. STRACK, *Vice-President*

WILLIAM P. MARSH, *Secretary and Treasurer*

GEORGE M. WAUGH, JR., *General Controller and Assistant Secretary*

STEPHEN J. DEBAUN, *Assistant Treasurer*

GENERAL OFFICES

THE BORDEN COMPANY

350 Madison Avenue, New York City

503 Market Street, San Francisco

510 North Dearborn Street, Chicago

180 St. Paul Street West, Montreal, Canada

BORDEN'S FARM PRODUCTS COMPANY, Inc.

110 Hudson Street, New York City

326 West Madison Street, Chicago

120 Murray Street, Montreal, Canada

Transfer Agent, SEABOARD NATIONAL BANK, 115 Broadway, New York City

Registrar, BANKERS TRUST COMPANY, 16 Wall Street, New York City

Counsel, MASTEN & NICHOLS, 49 Wall Street, New York City

CORPORATE ORGANIZATION AND SCOPE

THE business of your Company may be divided into two parts:

- (1) The manufacture and sale of milk products comprising principally:

CONDENSED MILK	DRIED MILK	MALTED MILK
EVAPORATED MILK		CARAMELS
- (2) The purchase, preparation and distribution of Fresh Milk, Cream, Butter, Eggs and other Dairy Products by a system of wagon deliveries.

THE manufacturing operations are conducted by The Borden Company (which dates back to 1857 in the production of Eagle Brand Condensed Milk), and its following manufacturing subsidiaries:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
THE BORDEN SALES CO., INC.	100%
BORDEN'S PREMIUM CO., INC.	100%
THE BORDEN WESTERN COMPANY	100%
THE BORDEN SOUTHERN COMPANY	100%
THE BORDEN COMPANY OF PENNSYLVANIA	100%
THE BORDEN COMPANY, LTD. (CANADA)	100%
BORDEN REALTY CORPORATION	100%

DURING the year 1926, for administrative reasons only, the properties and business of The Borden Company of Utah were taken over and are now operated by The Borden Western Company.

THE fresh milk and dairy products distribution in the so-called Metropolitan District of New York City and adjacent territory, in Chicago, Ill., and its suburbs, and in Montreal, Canada, is conducted by subsidiaries as follows:

<i>Corporate Name</i>	<i>Percentage of Stock Owned</i>
BORDEN'S FARM PRODUCTS CO., INC.	100%
BORDEN'S FARM PRODUCTS CO. OF ILL.	100%
BORDEN'S FARM PRODUCTS CO., LTD. (CANADA)	100%

COM M E N T

THE year 1926 marked another period of progress of our Company and one in which record sales and earnings were established and its financial position further strengthened.

Sales and Net Income

Sales for the year amounted to \$124,912,098.24 and Net Income derived was \$6,853,740.63, being 5.49% on sales and \$10.86 per share on Common Stock outstanding December 31, 1926.

Current Assets

Cash on hand December 31, 1926 of \$10,238,058.30 compares with \$8,663,379.78 on hand at the close of the previous year.

Marketable Securities on hand December 31, 1926 of \$8,218,525.84 compares with \$5,022,491.25 on hand at the close of the previous year. These security valuations in no case exceed market values.

Inventories on hand December 31, 1926 of \$6,758,233.31 compare with \$7,705,717.98 on hand at the close of the previous year. These are carried at cost or market, whichever is the lower.

Receivables are in excellent shape, collections having continued good with very small credit losses.

Net Working Capital and Ratio of Current Assets

Net Working Capital amounted on December 31, 1926 to \$20,753,217.67 as compared with \$17,763,441.19 on December 31, 1925.

Current Assets as of December 31, 1926 amounted to \$3.27 for every \$1.00 of Current Liabilities.

Mortgages and Purchase Money Notes

These items have been reduced by \$105,250 during the year 1926, maturities having all been paid, and now total \$360,000, of which \$162,000 represents mortgages assumed in connection with property purchases.

Property, Plant and Equipment

In addition to the usual betterment and extension expenditures, during 1926 The Borden Southern Company completed construction and put into operation a new

condensery at Starkville, Mississippi,—the first condensery south of the Mason and Dixon line. During the year 1927 this same subsidiary will complete construction and start production at two new plants in Tennessee, located at Lewisburg and Fayetteville. Condensed Milk and Evaporated Milk will be produced at the former and Dry Milk at the latter. All three of these plants are located in rapidly growing dairy sections of the South and will more advantageously provide for the needs of that section of the country.

During 1927 The Borden Western Company also will start Evaporated Milk operations at Tempe, Arizona, in the Salt River Valley, which production will move into Arizona markets at a considerable freight saving over production heretofore imported from California or other Western producing States.

Borden's Farm Products Company, Inc. and subsidiaries will, during the year 1927, add considerably to their pasteurizing and distributing facilities, particularly throughout the Metropolitan district. These expenditures are in the interest of improved service and efficiency, as well as necessarily enlarged capacity.

Quite apart from items of the foregoing nature which are very properly treated as capital expenditures, the Company at all times maintains its properties in excellent physical condition and constantly studies their efficiency, making such necessary outlay as will maintain the former and improve the latter. These as well as all other property expenditures are controlled by a conservative policy of accounting.

Capital Stock

Capital Stock account on December 31, 1926 stands at \$31,544,800 and is represented by 630,896 shares of Common Stock of \$50.00 par value outstanding as compared with \$27,430,300 and 548,606 shares outstanding on December 31, 1925, 82,290 additional shares of Common Stock having been issued to stockholders or their assignees as of February 15, 1926 at \$75.00 per share.

The net proceeds of this stock issue of 82,290 shares were applied to the payment of a note given in December, 1925, for \$6,000,000, which, while not due until June 1927, was anticipated as permitted under its terms. The stockholders will remember that, as previously reported, the \$6,000,000 realized upon this note now paid, was applied to the cost of redemption on December 15, 1925 of the Company's Preferred Stock issue, the balance of \$2,250,000 necessary to the financing of this retirement having been supplied by drawing upon the Company's cash balances.

The stock outstanding December 31, 1926 was held by 5,371 stockholders with an average holding of about 117 shares. Employees held an aggregate of 63,030 shares.

Additional Stock to be Issued

As in each of the three preceding years, the Directors deem it wise and of advantage to the stockholders and the Company to issue additional Common Stock from the remaining 369,104 shares authorized but not issued. As advised in detail under date of February 9, 1927, this stock is offered to stockholders at \$60.00 per share for an amount of stock equal to 10% of their holdings, thus calling for the issuance of not to exceed 63,090 shares of the above mentioned stock, leaving 306,014 shares still unissued.

The Organization

An intelligent, experienced and hard-working organization, working co-operatively, which has been further strengthened during the last year, continues to be the Company's greatest asset and their united efforts, making the within report possible, is acknowledged with grateful appreciation.

Respectfully submitted,

ARTHUR W. MILBURN,

President.

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1926

ASSETS

PROPERTY, PLANT AND EQUIPMENT:

Including Madison Avenue and Hudson Street Office

Building Properties \$49,809,694.87

LESS:

Mortgages—Madison Ave. Office Building

Properties \$1,890,000.00

Reserve for Depreciation 13,697,699.18 15,587,699.18

NET SOUND VALUES \$34,221,995.69

CURRENT ASSETS:

Cash \$10,238,058.30

Receivables—Less Reserve for Doubtful Ac-
counts 4,674,544.38

Marketable Securities 8,218,525.84

Finished Goods 3,959,193.67

Raw Materials and Supplies 2,799,039.64 29,889,361.83

PREPAID ITEMS AND MISCELLANEOUS ASSETS 107,391.80

TRADE MARKS, PATENTS AND GOOD WILL 2,500,000.00

TOTAL \$66,718,749.32

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Consolidated General Balance Sheet, December 31, 1926

LIABILITIES

MORTGAGES	\$	162,000.00
PURCHASE MONEY NOTES (Maturing in 1928 or thereafter).		198,000.00

CURRENT LIABILITIES:

Accounts Payable	\$6,198,815.27	
Accrued Accounts—Taxes (Estimated), etc.	2,937,328.89	9,136,144.16

DEFERRED CREDITS		3,283.04
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TOTAL LIABILITIES TO OTHER THAN STOCKHOLDERS	\$	9,499,427.20
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CAPITAL STOCK—THE BORDEN COMPANY:

630,896 shares Common (\$50.00 each)	\$31,544,800.00
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RESERVES:

Insurance, Contingencies, etc.	9,286,562.07
SURPLUS	16,387,960.05

TOTAL CAPITAL STOCK, RESERVES AND SURPLUS	\$57,219,322.12
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TOTAL	<u>\$66,718,749.32</u>
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THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

Statement of Consolidated Income and Profit and Loss

for the Year Ended December 31, 1926

GROSS SALES \$124,912,098.24

NET OPERATING PROFIT:

(After deducting all operating charges, including Depreciation,
Insurance and Property Taxes) \$ 7,528,466.73

OTHER INCOME—Interest Received, Net, etc. 544,202.37

GROSS INCOME \$ 8,072,669.10

OTHER DEDUCTIONS—Income Taxes (Estimated). 1,218,928.47

NET INCOME \$ 6,853,740.63

SURPLUS CREDITS:

Surplus, January 1, 1926 12,211,335.26

Earnings applicable to Prior Period 31,548.60

Net premium realized from sale of Capital Stock 1,974,960.00

GROSS SURPLUS \$21,071,584.49

SURPLUS CHARGES:

Dividends—Common \$3,154,478.75

Interest on Subscriptions to Capital Stock 28,798.11

Loss on Property and Securities Sold (at cost) 68,867.82

Good Will Reduction 64,676.32

Appropriations to Reserves, 1,366,803.44

(Including as in former years provision for
profit sharing, amounting for 1926 to

\$838,495.44) 4,683,624.44

SURPLUS, December 31, 1926 \$16,387,960.05

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN THE PRINCIPAL CITIES OF
THE UNITED STATES OF AMERICA
—AND IN—
LONDON, PARIS, BERLIN, SHANGHAI,
MONTREAL, HAVANA, MEXICO CITY

37 WEST 39TH STREET
NEW YORK

THE BORDEN COMPANY *and all* SUBSIDIARY COMPANIES

CERTIFICATE OF AUDIT

WE have audited the books and accounts of The Borden Company and its Subsidiary Companies for the year ended December 31, 1926.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. Adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent book balances as shown by the inventory records, which are adjusted from time to time to agree with physical inventories, and which were examined and appear to be correct, all inventory valuations being based upon cost or market, whichever was lower.

WE HEREBY CERTIFY that, in our opinion, the accompanying Consolidated General Balance Sheet and Statement of Consolidated Income and Profit and Loss correctly exhibit, respectively, the financial condition of the Companies at December 31, 1926 and the results of their operations for the year ended that date.

HASKINS & SELLS

New York, March 1, 1927.

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Borden's